

Message Text

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PAGE 01 MANILA 18035 290453Z

15

ACTION TRSE-00

INFO OCT-01 EA-07 NEA-10 ISO-00 IO-10 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 PA-01 PRS-01 EUR-12

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FM AMEMOASSY MANILA

TO SECSTATE WASHDC 698

INFO AMEMBASSY DACCA

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 3/31/76

TAGS: EAID, EFIN, BG

SUBJECT: PROPOSED ADB LOAN AND TECHNICAL ASSISTANCE - GREATER
DACCA GAS DISTRIBUTION PROJECT

REF: (A) MANILA 17271, (B) DACCA 6202, (C) TREASURY 75-230

1. AT MEETING DECEMBER 23, ADB BOARD OF DIRECTOS
APPROVED PROPOSED SPECIAL FUNDS LOAN OF \$12.2 MILLION
AND TECHNICAL ASSISTANCE GRANT OF \$200,000 TO PEOPLE'S
REPUBLIC OF BANGLADESH FOR GREATER DACCA GAS DISTRIBUTION
PROJECT. PRESS RELEASE BEING POUCHED.

2. U.S. DIRECTOR MADE COMMENTS ALONG LINES SUGGESTED
IN REFTELS. SPECIFICALLY U.S. DIRECTOR REQUESTED BANK
TO REVIEW LOANS IN LIGHT OF EARLY DECEMBER ANNOUNCE-
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MENTS OF CHANGES IN ECONOMIC AND INVESTMENT POLICIES

AND GOVT. EMPHASIS ON EXPANDED ROLE OF PRIVATE SECTOR. U.S. DIRECTOR SAID HE DID NOT BELIEVE ADB SHOULD COMMIT ITS LIMITED FUNDS FOR RISKY DEVELOPMENT OR APPRAISAL GAS WELL DRILLING AND INDICATED THAT GOVT. BILATERAL DONORS OR PRIVATE VENTURE CAPITAL MIGHT BE MORE APPROPRIATE. ADB PRESIDENT SAID IMPACT OF NEW POLICIES COULD NOT BE ASCERTAINED SINCE IT IS TOO EARLY. ON FINANCING GAS WELL DRILLING, ADB PRESIDENT AGREED THAT THERE IS NO COMMITMENT AND THAT BANK POLICY IS TO ASSIST MEMBERS TO LOCATE FINANCING ON REASONABLE TERMS.

3. DIRECTORS' COMMENTS AND QUESTIONS REFLECTED CONCERN ABOUT ABILITY OF GOVT. AND EXECUTING AGENCIES TO IMPLEMENT COVENANTS. U.S. DIRECTOR URGED BANK MANAGEMENT TO MONITOR RIGOROUSLY COMPLIANCE WITH LOAN COVENANTS PARTICULARLY TARIFF ADJUSTMENTS, BILLING AND COLLECTION PRACTICES AND REDUCTION OF LARGE ACCOUNTS RECEIVABLE. CANADIAN DIRECTOR REQUESTED THAT A REVIEW MISSION BE SENT AT AN EARLY STAGE TO MONITOR AND REPORT ON COMPLIANCE WITH BANK AGREEMENTS AND FINANCIAL COVENANTS. IN ADDITION, U.S. DIRECTOR IS SENDING MEMORANDUM TO BANK MANAGEMENT REQUESTING A REPORT IN 6 WEEKS ON PROGRESS OF BANK PROJECTS IN BANGLADESH.

4. PHILIPPINE DIRECTOR SAID THAT THE \$700,000 TO FINANCE REPAIR OF A PIPE LEAK IN ONE OF THE GAS WELLS SHOULD NOT HAVE BEEN IN A DEVELOPMENT LOAN. HE EXPLAINED THAT THE LEAK SHOULD HAVE BEEN FIXED IMMEDIATELY AS A HIGH PRIORITY OPERATIONAL EMERGENCY TO RESUME GAS PRODUCTION. BANK STAFF EXPLANATION FOCUSED ON LACK OF FOREIGN EXCHANGE AND OF DOMESTIC RESOURCES OF NEW STATE OWNED ENTERPRISE. IN RESPONSE TO KOREAN DIRECTOR INQUIRIES CONCERNING METERED TARIFF RATES AND REVENUE COLLECTION BANK STAFF EXPLAINED THAT THERE WERE NO METERS FOR HOME CONSUMPTION EVEN THOUGH METER RATES ARE PUBLISHED AND THAT NO METERS WILL BE INSTALLED. PRIVATE CONSUMERS ARE OBLIGED TO PAY A FIXED MONTHLY AMOUNT SO THAT IT ELIMINATES CAPITAL COSTS OF INSTALLING METERS AND ADMINISTRATIVE COSTS OF READING METERS AND PREPARING INDIVIDUAL INVOICES. BANK STAFF EXPLAINED THAT PERIODIC LIMITED OFFICIAL USE

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PAGE 03 MANILA 18035 290453Z

CHECKS WILL BE MADE TO DETERMINE WHETHER REVENUES FROM THIS SOURCE COVER ESTIMATED COST OF GAS PRODUCED.

5. THE U.K. DIRECTOR ASKED IF THE GOVT. INTENDED TO SUBSIDIZE CONVERSION COSTS IN ADDITION TO GAS CONNECTION CHARGES. BANK STAFF EXPLAINED THAT USERS SHOULD BE ABLE TO FINANCE CONVERSION COSTS SINCE GAS BURNERS WOULD BE PROVIDED. THERE COULD BE A PROBLEM WITH VERY

LOW INCOME USERS WHO WOULD REQUIRE A NEW STOVE BUT
BANK STAFF EXPLAINED THAT PRIVATE CONSUMERS WOULD BE IN
MIDDLE INCOME GROUPS WITH HIGH PROPORTION OF GOVT.
EMPLOYEES.

6. CANADIAN DIRECTOR NOTED THAT DOCUMENTS DID NOT
ADEQUATELY JUSTIFY LOCAL COST FINANCING AND DID NOT
INDICATE AID FROM BILATERAL AND OTHER MULTILATERAL
DONORS.
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